

# Auction and Consignment Seller Tax Considerations



IRS Nationwide  
**2008**  
**Tax**  
**FORUM**  
Partners in Tax  
Administration

# Overview

- Traditional auctions
- Online auctions
- Hybrids/traditional and online
- Consignment sales and drop-off stores

# Profits Increasing for Sellers

- Business income for sellers
- Income for investors and collectors
- Income for occasional sellers

# Seller

## Tax Responsibilities

- Income tax
- Self-employment tax
- Employment taxes
- Excise taxes

# Income: What's The Law?

## IRC section 61

- Business income
- Ordinary income
- Capital gains
- Garage sales

# Deductions: What's The Law?

## IRC section 162

- Business versus personal expenses
  - IRC sections 262 & 162
- Depreciation and expensing of assets
  - IRC sections 167 & 179
- Deduction limitations (hobby/start-up)
  - IRC sections 183 & 195

# IRS Strategy

- Assist sellers who want to be compliant
- Develop processes to detect and identify noncompliant sellers
- Train examiners in E-Business examination techniques and procedures

# Identified Audit Issues

- Unreported auction business income
- Unreported sales of appreciated property such as art, antiques, and collectibles
- Improper deductions for personal expenses



# IRS E-Business Priorities

- Identify failure to report or file
- Stop abusive promoter/preparer schemes
- Address questionable home-based business tax loss claims

# SB/SE E-Business and Emerging Issues Unit

- Identifying emerging trends
- Developing Internet and electronic compliance audit tools
- Coordinating issues and policy



# Legislative Proposals To Improve Tax Compliance

- Require information reporting by auctions & consignment brokers
- Require information reporting on payments to corporations
- Require information reporting on payment card transactions



# More Information on IRS.gov

- Small Business Tax Workshop DVD
- Small Business Resource Guide CD-ROM
- Tax Talk Today
- e-News for Tax Professionals
- e-News for Small Businesses
- IRS Phone Forums